July 14, 2004

Chairman Michael Powell
Commissioner Kathleen Abernathy
Commissioner Kevin Martin
Commissioner Michael Copps
Commissioner Jonathan Adelstein
Federal Communications Commission
445 12th St., SW
Washington, DC 20554

RE: MB Docket No. 04-207

Dear Commissioners:

We are writing per Docket 04-207 to comment on proposals regarding "a la carte" and themed tier programming for cable television and direct broadcast satellite systems.

We are concerned that the proposals for mandatory government requirements of "a la carte" cable pricing result in higher consumer prices, fewer consumer choices, a reduction of diversity, a reduction in the amount of family-friendly programming, and a reduction in jobs and investment in a currently thriving industry. Fewer choices, higher costs, and job losses are not what consumers want.

All economic analyses to date indicate that government regulations mandating "a la carte" services would be likely to increase the prices of each individual channel as well as any overall package of channels. Most basic cable networks depend on a dual revenue stream of advertising and license fees paid by the cable operator. Ad-supported cable networks depend heavily on being able to deliver large numbers of viewers to advertisers.

The October 2003 GAO Report found that an "a la carte" requirement could "result in higher per channel rates" and "cable rates could actually increase for some consumers." According to the report, fewer networks would be available to consumers because "any movement of networks from the most widely distributed tiers to an a la carte format could result in a reduced amount that advertisers are willing to pay for advertising time."

A Bear Stearns analysis found that "a la carte" would harm consumers when it examined the impact on five popular services -- the Disney Channel, ESPN, MTV, Fox News, and TBS. Bear Stearns estimates that the subscriber could actually pay more for these five services in an "a la carte model" than they currently pay for a larger tier of cable services, which included the same five services as well as many more services.

Opposition to "a la carte" programming crosses the ideological and political spectrums. Networks such as BET, Telemundo, Lifetime, the Food Network, the Discovery Channel, Disney Media Networks, VH1, CNBC, the Golf Channel, the Family Channel, Trinity Broadcasting and Fox News are just among a few of those who recognize that their networks may very well not have existed under an "a la carte business model" and may not be able to survive under such government regulation.

These networks realize the death spiral that would result from the diminished base of subscribers from the current business model and the resulting loss of advertisers which would in turn result in increased fees to the remaining fewer consumers. Increased prices to consumers would in turn again diminish the value of each individual channel and threaten the viability of any given network and result in lowered investment overall.

Further, these networks recognize that to launch and continue viable cable television stations requires an ability to place such stations in a package with stations that already have a broader following. Like a mall that has anchor stores in the same location as boutique and niche market stores; these boutique and niche shows and networks may very well not be able to exist if they weren't part of a bigger mall-type package. Reducing the cable offerings to just the larger "anchor" shows and networks would in turn reduce the variety and diversity of programming.

Similarly, newspapers sell news, sports, business, and entertainment sections together instead of selling them "a la carte." The newspaper industry has made this marketing decision based on an understanding that selling individual sections would not attract as much of a customer base and in turn reduce advertising revenues that allow the paper to stay in business. If advertising revenues were reduced in a mall, with a newspaper or with cable TV, the bottom line is that costs for consumers would increase also.

Currently over 80% of American homes subscribe to either a cable or a satellite service. The cable and satellite industries are very competitive businesses vying for consumers. Their business models were based on the current FCC rules as well as consumer demand. Instead of changing the FCC rules after significant business decisions have been made and millions in investment dollars have been made, why not let consumer demand determine the changes in the industry?

Why would the FCC want to risk destroying the hundreds of thousands of jobs connected with these networks for an economic experiment that by all indications would cost consumers more money and harm the diversity of programming? Why would the FCC want to threaten the broad diversity represented in the current offerings of programming? Why would the FCC want to threaten the diversity of programming it recognizes is important, by supporting a policy that could diminish diversity?

The many and varied cable offerings represent a thriving industry that employs thousands of Americans and provides millions of consumers the variety and choice that they want in programming. Today, many and varied voices are represented in entertainment, news and public debate. Mandating "a la carte" distribution or "family-friendly" tiering of cable networks would silence these voices and reduce the new opportunities for developing thriving networks and shows, while increasing costs for consumers. We hope you would avoid any actions contributing to this detrimental public policy.

Sincerely,

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